

1 Honorable Thomas T. Glover
2 Chapter 11
3 **Confirmation Hearing Date: March 19, 2010**
4 Hearing Time: 9:30 a.m.
5 Hearing Place: Courtroom 7106
6 Response Date: March 17, 2010
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON, AT SEATTLE

In re No. 09-12521-TTG

S.T.O. INDUSTRIES, INC., ORDER CONFIRMING DEBTOR'S
Debtor. THIRD AMENDED PLAN OF
REORGANIZATION

THIS MATTER having come before the Court for confirmation of the Third Amended Plan of Reorganization ("Third Amended Plan") filed by S.T.O. Industries, Inc. ("STO"). The Debtor ("Debtor") appeared by and through counsel, J. Todd Tracy and Crocker Kuno PLLC. The Court having reviewed the files and records herein, the Declaration of Jacob Davis in Support of Confirmation of Third Amended Plan of Reorganization, as well as all declarations submitted in relation to the various contested cash collateral hearings in this matter, and considered the arguments of Counsel; now, therefore it is

ORDERED that the objection to confirmation filed by Banner Bank is overruled; and it is

ORDER CONFIRMING DEBTOR'S THIRD
AMENDED PLAN OF REORGANIZATION -1-

CROCKER KUNO PLLC

720 Olive Way, Suite 1000
Seattle, WA 98101 - 1853
P) 206-624-9894
F) 206-624-8598

1 FURTHER ORDERED that, pursuant to 11 U.S.C. §1129, the Third Amended Plan, a
2 copy of which is attached hereto as **Exhibit A**, is confirmed; and it is
3
4

5 FURTHER ORDERED that on the Confirmation Date, the provisions of the Third
6 Amended Plan bind the Debtor, and any holder of a Claim against the Debtor, whether or not
7 the Claim is impaired under the Third Amended Plan and whether or not such holder has
8 accepted the Third Amended Plan; and it is
9
10

11 FURTHER ORDERED that the requirements of Third Amended Plan are binding
12 upon and govern the acts of all persons including, without limitation, all holders of Claims, all
13 filing agents or officers, title agents or companies, recorders, registrars, administrative
14 agencies, governmental units and departments, agencies or officials thereof, secretaries of
15 state, and all other persons who may be required by law, the duties of their office, or contract
16 to accept, file, register, record or release any documents or instruments, or who may be
17 required to report or insure any title or state of title in or to any of the assets of the Debtor; and
18 it is
19
20

21 FURTHER ORDERED that if any provision of the Third Amended Plan is determined
22 to be unenforceable, that determination shall not affect any other provision of the Third
23 Amended Plan; and it is
24
25

26 FURTHER ORDERED that an appeal shall not affect the validity of the Third
27 Amended Plan, or any agreement or action authorized by this Order or under the Third
28 Amended Plan with respect to any entity acting in good faith, whether or not that entity knows
29 of the appeal, unless this Order is stayed pending appeal; and it is
30
31

32 ORDER CONFIRMING DEBTOR'S **THIRD**
33 AMENDED PLAN OF REORGANIZATION -2-

CROCKER KUNO PLLC

720 Olive Way, Suite 1000
Seattle, WA 98101 - 1853
P) 206-624-9894
F) 206-624-8598

1 FURTHER ORDERED that the Court shall retain jurisdiction as provided for in the
2
3 Third Amended Plan. The Debtor's entry of a final decree based on substantial consummation
4 of the Third Amended Plan and approval thereof will not affect this Court's jurisdiction as
5 retained under the Third Amended Plan.
6
7
8
9

10 DATED this _____ day of March, 2010.
11
12
13
14
15



16 Thomas T. Glover
17 United States Bankruptcy Judge
18 (Dated as of "Entered on Docket" date above)
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47

Presented by:

CROCKER KUNO PLLC

By /s/ J. Todd Tracy
J. Todd Tracy, WSBA #17342
Attorneys for Debtor

Approved as to Form, Notice of Presentation
Waived:

HACKER WILLIG, INC., P.S.

By /s/ J. Todd Tracy for Elizabeth Shea
(per electronic approval 3/19/10)
Arnold M. Willig, WSBA #20104
Elizabeth Shea, WSBA #27189
Attorneys for Banner Bank

ORDER CONFIRMING DEBTOR'S **THIRD**
AMENDED PLAN OF REORGANIZATION -3-

CROCKER KUNO PLLC

720 Olive Way, Suite 1000
Seattle, WA 98101 - 1853
P) 206-624-9894
F) 206-624-8598

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
The Honorable Thomas T. Glover
Chapter 11

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

In re

No. 09-12521-TTG

S.T.O. INDUSTRIES, INC.,

DEBTOR'S THIRD AMENDED PLAN OF
REORGANIZATION

Debtor.

S.T.O. Industries, Inc. ("STO" and/or "Debtor"), the debtor-in-possession in the above captioned Chapter 11 matter, proposes the following Debtor's Third Amended Plan of Reorganization dated December 31, 2009, pursuant to Section 1121 of Title 11 of the United States Bankruptcy Code:

ARTICLE 1

Definitions

As used in the Plan the following terms shall have the respective meanings specified below:

1.1 Administrative Creditor: Any person entitled to payment of an administrative expense.

1.2 Administrative Expense: Any cost or expense of administration of the Chapter 11 case allowed under § 503(b) of the Code, including, without limitation, any

DEBTOR'S THIRD AMENDED PLAN OF REORGANIZATION -1-

CROCKER KUNO PLLC

720 Olive Way, Suite 1000
Seattle, WA 98101 - 1853
P) 206-624-9894
F) 206-624-8598

1 indebtedness or obligation incurred or assumed by the Debtor, in connection with the conduct
2 of their business in the ordinary course, or for the acquisition or lease of property or for the
3 obtaining of services by the Debtor, all allowances of compensation or reimbursement of
4 expenses to the extent allowed by the Court under the Code, and any fees or charges assessed
5 against the estate of the Debtor.

6
7
8
9
10
11
12 **1.3 Allowed Claim:** Any claim against the Debtor as of the petition date, proof of
13 which was filed on or before the date designated by the Court as the last date for filing proofs
14 of claim or, if no proof of claim is filed, which has been or hereafter is listed by the Debtor as
15 liquidated in amount and not disputed or contingent and, in either case, a claim as to which no
16 objection to the allowance thereof has been interposed within the applicable period of
17 limitation fixed by the Plan, the Code, the Rules or the Court, or as to which any objection has
18 been interposed and/or such claim has been allowed in whole or in part by an order or
19 judgment of the Court that is no longer subject to appeal or certiorari proceeding and as to
20 which no appeal or certiorari proceeding is pending.

21
22
23
24 **1.4 Avoidance Actions:** Any and all Claims and causes of action of the Debtor
25 arising under the Bankruptcy Code, including, without limitation, §§ 544, 545, 547, 548, 549
26 and 550.

27
28
29 **1.5 Bankruptcy Code:** The Bankruptcy Reform Act of 1978 as amended,
30 Title 11, United States Code, including the amendments of the Bankruptcy Consumer
31 Protection Act of 2005.

32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
DEBTOR'S THIRD AMENDED PLAN OF REORGANIZATION -2-

CROCKER KUNO PLLC

720 Olive Way, Suite 1000
Seattle, WA 98101 - 1853
P) 206-624-9894
F) 206-624-8598

1 **1.6 Bankruptcy Court:** The United States Bankruptcy Court for the Western
2
3 District of Washington, at Seattle, having jurisdiction over this Chapter 11 Case pursuant to a
4
5 reference made pursuant to 28 U.S.C. § 157 by the United States District Court for the
6
7 Western District of Washington.
8
9

10 **1.7 Bankruptcy Rules:** The Federal Rules of Bankruptcy Procedure, and as
11
12 applicable, the Local Rules of Bankruptcy Procedure of the Bankruptcy Court as amended, as
13
14 applicable to the Chapter 11 Case.
15
16

17 **1.8 Cash:** Cash, cash equivalents and other readily marketable securities or
18
19 instruments including, without limitation, readily marketable direct obligations of the United
20
21 States of America, certificates of deposit issued by banks and commercial paper of any entity,
22
23 including interest earned or accrued thereon.
24
25

26 **1.9 Causes of Action:** Any and all claims, rights of action, suits and proceedings,
27
28 whether in law or in equity, whether known or unknown, which the Debtor may hold against
29
30 any entity, including, without limitation, any causes of action brought prior to the Petition
31
32 Date, and including actions against any Persons for breach of performance, whether the
33
34 remedy is monetary or for specific performance, related to the Debtor's tangible and
35
36 intangible interests in real property. This definition does not include any and all causes of
37
38 action which may exist under §§ 510, 542, 544 through 550 and 553 of the Bankruptcy Code.
39
40
41

42 **1.10 Chapter 11 Case:** The case commenced by Debtor on March 18, 2009, under
43
44 Chapter 11 of the Code, and pending in the Court as case number 09-12521-TTG.
45
46
47

1 **1.11 Claim:** Any right to payment from the Debtor whether or not such right is
2 reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured,
3 disputed, undisputed, legal, equitable, secured or unsecured; or any right to an equitable
4 remedy for breach of performance if such breach gives rise to a right of payment from the
5 Debtor, whether or not such right to an equitable remedy is reduced to judgment, fixed,
6 contingent, matured, unmatured, disputed, undisputed, secured or unsecured.
7
8
9
10
11
12
13
14

15 **1.12 Class 1 Creditor:** A Creditor with a Claim classified in Class 1 of the Plan.
16
17

18 **1.13 Class 2 Creditor:** A Creditor with a Claim classified in Class 2 of the Plan.
19
20

21 **1.14 Class 3 Creditor:** A Creditor with a Claim classified in Class 3 of the Plan.
22
23

24 **1.15 Class 4 Creditor:** A Creditor with a Claim classified in Class 4 of the Plan.
25
26

27 **1.16 Class 5 Creditor:** A Creditor with a Claim classified in Class 5 of the Plan.
28
29

30 **1.17 Class 6 Creditor:** A Creditor with a Claim classified in Class 6 of the Plan.
31
32

33 **1.18 Class 7 Interest Holder:** A Holder of an Interest classified in Class 7 of the
34 Plan.
35
36

37 **1.19 Confirmation or Confirmation Date:** The date upon which the Bankruptcy
38 Court shall sign the order confirming the Plan or as it may be amended.
39
40

41 **1.20 Confirmation Order:** An order of the Court confirming the Plan in
42 accordance with the provisions of Chapter 11 of the Code and which is not then subject to a
43 pending motion to clarify, vacate, rehear, modify or amend.
44
45

46 **1.21 Creditor:** Any person that has a Claim against the Debtor that arose on or
47 before the Petition Date.
48

1 **1.22 Debtor or Debtor-in-Possession:** S.T.O. Industries, Inc.

2
3 **1.23 Deficiency Claim:** The amount of the Allowed Claim minus the value of the
4
5 claimant's pro-rated share of its interest in pre and/or post-petition collateral.

6
7 **1.24 Disbursing Agent:** The party designated by the Debtor to serve as disbursing
8
9 agent under this Plan of Reorganization. Initially, this will be STO Industries, Inc., the
10
11 reorganized Debtor.

12
13 **1.25 Disputed Claim:** A Claim that is listed on the Debtor's Schedules as disputed,
14
15 contingent, or unliquidated, any Claim as to which the Debtor or any party in interest has
16
17 interposed an objection in accordance with the Plan, the Bankruptcy Code or the Bankruptcy
18
19 Rules, or a Claim that is listed on any of the Debtor's Schedules as other than disputed,
20
21 contingent, or unliquidated, but as to which an objection has been filed by the Debtor or any
22
23 other party in interest prior to the Effective Date, and such objection has not been determined
24
25 by an order or judgment that is no longer subject to appeal or *certiorari* proceeding or as to
26
27 which to appeal or certiorari proceeding is pending.

28
29 **1.26 Effective Date:** The Effective Date shall be the eleventh (11th) day following
30
31 entry of the Confirmation Order on the docket of the Bankruptcy Court, provided that said
32
33 Confirmation Order is not subject to reconsideration or stay pending appeal.

34
35 **1.27 Entity:** This term shall have the meaning set forth in § 101(15) of the
36
37 Bankruptcy Code.

38
39 **1.28 Impaired:** When used with reference to a Claim, impaired has the meaning of
40
41 § 1124 of the Bankruptcy Code.

1 **1.29 Insider:** This term shall have the meaning set forth in §101(31) of the
2
3 Bankruptcy Code.
4

5 **1.30 Loan Balance:** The Allowed Secured Claim of a creditor after reduction for
6 principal and interest paid thereon as of the date of calculation.
7
8

9
10 **1.31 Petition Date:** March 18, 2009, the date on which the Debtor filed a voluntary
11
12 petition for relief commencing the Chapter 11 case.
13

14
15 **1.32 Plan:** This Third Amended Plan of Reorganization either in its present form or
16
17 as it may be altered, amended or modified from time to time.
18

19
20 **1.33 Priority Tax Claim:** A Claim that is entitled to priority of payment under
21
22 § 507(a)(8) of the Code.
23

24
25 **1.34 Unsecured Claim:** Any Claim other than an Administrative Expense, a
26
27 Priority Tax Claim, priority non-tax claim, secured claim or claim relating to equity interests
28
29 in the Debtor.
30

31 **1.35 Unsecured Creditor:** Any Creditor holding an Unsecured Claim.
32

33 **1.36 Unsecured Deficiency Claim:** The unsecured portion, as defined by
34
35 11 U.S.C. § 506, of any Secured Creditor's Claim.
36

37 **ARTICLE 2**
38

39 **Treatment of Administrative Claim and Priority Tax Claims**
40

41
42 **2.1 Full Payment:** Except for those Administrative Expenses incurred in the
43
44 ordinary course of the Debtor's business which shall be paid in full by the Reorganized
45
46 Debtor on the Effective Date or, if required, as soon thereafter as such Administrative
47

Expense is allowed by the Court; or under such other time frame as may be agreed upon between the Reorganized Debtor and the administrative claimant.

2.2 Contested Administrative Expense: Administrative Expenses that are contested shall be treated pursuant to Article 13 of the Plan. Administrative Expenses incurred prior to the Confirmation Date will not be allowed unless such Claims are filed with the Court within 30 days of the Effective Date.

2.3 Treatment of Priority Tax Claims: Allowed Priority Tax Claim will be paid in full either: (a) in equal cash payments made on the last Business Day of every three-month period following the Effective Date, over a period not exceeding five (5) years after the assessment of the tax with interest calculated at the rate available on ninety (90) day United States Treasury securities; or (b) by the Disbursing Agent according to claim's priority when Plan Distributions are made. Interest on priority tax claims of the Internal Revenue Service shall accrue at the rate set forth in 26 U.S.C. §6621. Furthermore, in the event of default in payments, and after the Internal Revenue Service has complied with the provisions of Article 16 without cure from the Debtor, the Internal Revenue Service may utilize its usual and customary collection procedures.

2.4 Contested Priority Tax Claim: Priority Claims that are contested shall be treated pursuant to Article 13 of the Plan.

10 of 10

1 2 3 4 5 6 7 8

|||||

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47

ARTICLE 3

Classification of Claims

Claims are classified as follows:

- Class 1: Allowed Non Tax Priority Claims
- Class 2: Allowed Secured Claim of Banner Bank
- Class 3: Allowed Unsecured Claims \$1,500.00 or Less
- Class 4: Allowed Unsecured Claims Over \$1,500.00
- Class 5: Allowed Unsecured Guaranty Claims
- Class 6: Allowed Unsecured "Insider" Claims
- Class 7: Allowed Equity Interests

ARTICLE 4

Provision for the Treatment of Allowed Non Tax Priority Claims (Class 1)

4.1 **Treatment:** To the extent any allowed non tax claims entitled to priority pursuant to § 507 exist, they will be paid as soon as practical after the Effective Date or by the Disbursing Agent according to their priority in distribution.

4.2 **Impairment:** Class 1 shall be deemed impaired by the Plan.

ARTICLE 5

Provision for the Treatment of Allowed Secured Claim of Banner Bank (Class 2)

5.1 **Treatment:** The Allowed Secured Claim of Banner Bank shall be paid as set forth herein. If the Class 2 Claim has not become an Allowed Secured Claim by the Effective

1 Date, the Debtor will nevertheless commence payments on the last day of the first full calendar
2 month following the Effective Date, computed as provided herein as if the Allowed Secured
3 Claim were in the amount of \$3,243,942.33, payable as set forth in this Article 5. As of
4 March 1, 2010, the Class 2 Creditor principal balance due was \$3,243,942.33 plus accrued
5 attorneys and late fees as reported in the Declaration of Christopher L. Robinson regarding
6 statement of verified claim filed with this court on March 4, 2010. (Debtor reserves the right to
7 object the claim.)
8
9
10
11
12
13
14
15
16

17 The existing Commercial Security Agreement UCC-1 and security agreement shall also
18 continue to secure repayment of the Allowed Secured Claim. No modification in the terms and
19 conditions of the Commercial Security Agreement or other security documents, other than the
20 amendment to the promissory note herein provided, shall occur by virtue of the Plan except to
21 the extent a term or condition is inconsistent with the terms of the Plan, in which case the Plan
22 terms shall govern. There shall be no prepayment penalty. The amendment to the note shall
23 provide the following:
24
25
26
27
28
29
30
31
32

33 **5.1.1 New Principal:** The new principal balance which shall be the amount of
34 the Allowed Secured Claim (calculated as of the Effective Date).
35
36

37 **5.1.2 New Interest Rate:** The interest rate shall be set at 6.0% or such rate of
38 interest as the Court shall find satisfies the requirements of 11 U.S.C. § 1129(b)(2)(A).
39
40

41 **5.1.3 New Amortization:** The Allowed Secured Claim shall be paid in equal
42 monthly payments of principal and interest, totaling \$30,000 per month. Payments will
43
44
45
46
47

1 commence on the first day of the first full calendar month following the Effective Date and shall
2
3 be paid on the first day of each month thereafter until paid in full.
4

5 **5.1.4 New Maturity:** The balance of any unpaid new Principal shall be due in
6 full on the sixty (60) month anniversary of the Effective Date.
7
8

9 **5.1.5 Items Inconsistent:** Where provisions in the note or other documents
10 defining or securing the Class 2 Claim: (1) create a default on account of net worth or other
11 financial ratios, bankruptcy or insolvency; (2) are inconsistent with the terms of the Plan, or (3)
12 prohibit subordinate liens on the property; such provisions shall not remain in effect.
13
14

15 **5.1.6 Automatic Stay:** To the extent that the automatic stay has been lifted
16 prior to the effective date and a foreclosure has been commenced, on the effective date, all
17 defaults shall be deemed cured and any foreclosure shall be terminated. Nothing contained in
18 this provision shall impair the ability of the Class 2 claimant from pursuing its state law remedies
19 in the event of any defaults occurring after the Effective Date.
20
21

22 **5.2 Impairment:** Class 2 is impaired under the Plan.
23
24

ARTICLE 6

35 **Provision for the Treatment of Allowed Administrative Convenience Claims** 36 **(Unsecured Claims \$1,500.00 or Less)** 37 **(Class 3)** 38

39 **6.1 Treatment:** The Class 3 Creditors, including Class 4 Creditors who
40 affirmatively elect to be treated as a Class 3 Creditor, shall receive payment of their Allowed
41 Claims in full not later than sixty (60) days following the Effective Date or the date their
42
43
44
45
46
47

Claim becomes an Allowed Claim. Payment shall be made directly by the Debtor from cash on hand.

6.2 **Impairment:** Class 3 is impaired under the Plan.

ARTICLE 7

**Provision for the Treatment of Allowed Unsecured Claims In Excess of \$1,500
(Class 4)**

7.1 Treatment: The Class 4 Creditors shall receive payment of their Allowed Claims, together with simple interest calculated at the annual rate of two and one half percent (2.5%) on the declining balance, payable in quarterly installments from the Debtor from cash on hand. Quarterly payments will begin in the first calendar quarter following the second anniversary of the Effective Date. Quarterly payments shall be in an amount that is not less than the amount set forth on the Cash Flow Projections, a copy of which is attached hereto as Exhibit B, and identified as Debt Service: General Unsecured claims. Allowed Class 4 Claims shall be paid in full within sixty (60) months of the Effective Date.

7.2 Election: Any Class 4 Creditor may affirmatively elect, on the ballot included along with the Plan, to reduce their claim to \$1,500.00 and be treated as a Class 3 Creditor pursuant to Article 6. If the election is not affirmatively made on the ballot, the Creditor will be treated pursuant to this Article.

7.3 Impairment: Class 4 shall be deemed impaired by the Plan.

A vertical stack of three groups of tick marks. Each group contains seven short, vertical black lines of equal length, spaced evenly apart. The groups are vertically aligned.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47

ARTICLE 8

Provision for the Treatment of Allowed Guaranty Claims (Class 5)

8.1 Treatment: Any Allowed Class 5 Claim classified as a guaranty claim, representing unsecured guarantee obligations of the Debtor to third parties will not receive any distribution unless the principal obligor on the underlying debt has defaulted and the creditor has foreclosed or otherwise realized on the underlying collateral. Any Class 5 Creditor holding a guaranty claim shall be required to provide written notice to the Debtor of any default by the principal obligor on the underlying debt. The Debtor shall not be required to make payments pursuant to any unsecured guaranty unless and until the Class 5 Creditor holding the claim against the principal obligor has liquidated the principal obligor's collateral, either through foreclosure or other disposition of the asset. Any Class 5 Creditor shall provide written notice of the disposition of the primary obligor's collateral, and the amount of any remaining deficiency claim (the "deficiency notice"), and the amount of the deficiency claim shall then be entitled to treatment as a Class 4 claim, subject to objection by the parties in interest, provided that the Bankruptcy Court shall have jurisdiction with respect to such claim dispute, but further provided that any objection as to the amount or validity of the deficiency claim shall not delay the commencement of payments as provided for in Section 7.1 above. Washington state law shall apply to determine the amount of such claim, if any, after foreclosure or other disposition of the obligor's property.

8.2 Impairment: Class 5 shall be deemed impaired by the Plan.

\\\\\\\\\\\\\\\\

DEBTOR'S THIRD AMENDED PLAN OF REORGANIZATION -12-

CROCKER KUNO PLLC

720 Olive Way, Suite 1000
Seattle, WA 98101 - 1853
P) 206-624-9894
F) 206-624-8598

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47

ARTICLE 9

Provision for the Treatment of Allowed Unsecured "Insider" Claims (Class 6)

9.1 Treatment: All Allowed Unsecured "Insider" Claims shall be subordinated to Allowed Claims in Classes 2, 3, 4 and 5. Pending payment in full of all obligations owing to General Unsecured Creditors as provided for under the Plan of Reorganization (the "Subordination Term"), any and all obligations of STO in respect of proofs of claim or claims filed or asserted by Jacob Davis, Lena Davis and/or Elmer Davis (individually, an "Insider" and collectively, the "Insiders"), including principal, interest (whether pre- or postpetition), attorneys fees and any other amounts owing to any Insider, are and shall be subordinated in all respects (the "Subordinated Obligations") to allowed General Unsecured Claims of STO (the "Senior Indebtedness"). During the Subordination Term, STO shall not make, and no Insider will accept, any payments of principal, interest or any other amounts owing upon the Subordinated Obligations or transfer any assets as security for payment of the Subordinated Obligations. If, during the Subordination Term, any Insider receives any payment on the Subordinated Obligations, they will hold the amount so received in trust and will forthwith turn over such payment(s) to STO or to the Representative (as defined below) in the form received (except for the endorsement by the Insider where necessary) for application to and payment of the then-existing Senior Indebtedness. During the Subordination Term, no Insider will commence any action or proceeding against STO to recover all or any part of the Subordinated Obligations, or join with any creditor in bringing any proceeding against STO under any bankruptcy, reorganization, readjustment of debt,

1 arrangement of debt, receivership, liquidation or insolvency law or statute of the federal or
2
3 any state government.
4
5
6

7 **9.2 Impairment:** Class 6 shall be deemed impaired by the Plan.
8
9

10 **ARTICLE 10** 11 12

13 **Provision for the Treatment of Equity Interests** 14 15 **(Class 7)**

16 **10.1 Treatment:** Holders of Equity Interests shall retain their interests in the Debtor.
17 The Class 7 Equity Interests shall be subject to all of the provisions of this Plan, including but
18 not limited to any amendments made to any articles of incorporation or pertaining by-laws. The
19 Class 7 Equity Interests rights shall be suspended and no distributions shall be made on account
20 of any Class 7 Equity Interests until such time as the Class 1 through Class 6 Allowed Claims
21 have been paid in full.
22
23
24
25
26
27

28 **10.2 Impairment:** Class 7 shall be deemed impaired by the Plan.
29
30

31 **ARTICLE 11** 32 33

34 **Means for Implementing the Plan** 35 36

37 The Allowed Class 2 Claim shall be paid in full within sixty (60) months of
38 confirmation of the Plan. All Allowed Claims in Classes 3 and 4 shall be paid in full within
39 sixty (60) months of confirmation of the Plan. The implementation of, and the distribution
40 required under this Plan, shall be accomplished through the Debtor's normal business
41 operations, and if necessary, the possible sale of personal property; collection on Debtor's
42 causes of action; and contribution of future income.
43
44
45
46
47

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47

ARTICLE 12

Executory Contracts and Unexpired Leases

12.1. Assumption and Rejection: On the Effective Date, the Debtor will assume the executory contracts and unexpired leases identified on **Exhibit A** attached to the Plan (“Plan Exhibit A”). The Debtor may amend Plan Exhibit A until commencement of the hearing on confirmation of the Plan. Any executory contracts and unexpired leases not identified on Plan Exhibit A, as may be amended, shall be rejected. The Debtor will give prompt notice to any party whose treatment is changed pursuant to this provision.

12.2. Procedure for Cure: No later than ten (10) days prior to the Confirmation Date, all parties to executory contracts and unexpired leases identified on Plan Exhibit A shall file and serve on the Debtor a "Statement of Cure," which shall set forth in detail all amounts necessary to: (i) cure any default or breach (except those types of defaults specified in Bankruptcy Code § 365(b)(2)) as of the Confirmation Date, and (ii) compensate the party for any actual pecuniary loss resulting from any defaults as of the Confirmation Date. The party filing the Statement of Cure, shall be bound by the amounts claimed therein, and may not amend the Statement of Cure after the deadline. Any party to a contract identified on Plan Exhibit A not timely filing a Statement of Cure shall be deemed to have waived any claim against the Debtor for any amounts necessary to either cure any default or compensate the party for any actual pecuniary loss resulting from any defaults as of the Confirmation Date which exceed the amounts shown on Debtor's books.

1 **12.3. Payment of Cure:** The Debtor will pay all cure amounts in equal payments
2 amortized over six (6) months from the Effective Date. If the cure amounts exceed what the
3 Debtor anticipated would be the cure amounts, then the Debtor may elect to reject such
4 unexpired lease or executory contract, notwithstanding its inclusion on Plan Exhibit A.
5
6
7
8
9

10 **12.4. Rejection Claims:** Claims, if any, arising from the rejection of an executory
11 contract or unexpired lease must be filed within twenty (20) days after the Effective Date.
12
13
14

ARTICLE 13

Procedure for Resolving Contested Claims

19 **13.1 Objections to Claims:** Any party in interest, including the Unsecured
20
21 Creditors Committee may object to claims and administrative expenses. Objections to Claims
22
23 and Administrative Expenses shall be made and served upon each holder of such Claims to
24
25 which objections are made and filed with the Court within sixty (60) days of the Effective
26
27 Date; provided, however, that the deadline may be extended upon *ex parte* motion to the
28
29 Court.
30
31
32

33 **13.2 Prosecution of Objections to Claims:** The objecting party shall litigate to
34
35 judgment, settle, or withdraw objections to contested Claims and Administrative Expenses.
36
37 No distribution shall be made to any Creditor or holder of an Administrative Expense while
38
39 an objection to the Claim or Administrative Expense is pending, but the amount of the
40
41 distributions on the disputed Claim or Administrative Expense shall be reserved and retained
42
43 by Reorganized Debtor, and the remaining distributions to the class which includes the
44
45 contested Claim or Administrative Expense shall be reduced by the amount of the contested
46
47

1 Claim or Administrative Expense. Creditors and holders of Administrative Expenses, whose
2 Claims and Administrative Expenses become Allowed Claims or allowed Administrative
3 Expenses, shall receive the reserved distributions as soon as practical after they become
4 allowed.
5
6
7
8
9

10 **13.3 Late Filed Claims:** Unless otherwise ordered by the Bankruptcy Court upon
11 motion and notice, any proof of Claim filed after the Confirmation Date shall be automatically
12 disallowed as a late filed Claim without further action by the Reorganized Debtor unless the
13 Creditor obtains an order of the Court authorizing and allowing the late filed claim.
14
15
16
17
18

19 **13.4 Disputed Claims:** Notwithstanding any other provisions of the Plan, no
20 payments or distributions shall be made on account of any disputed Claim, until such Claim
21 becomes an Allowed Claim, and then only to the extent it becomes an Allowed Claim. The
22 Debtor shall reserve and retain distributions that would otherwise be paid to the Claimant or
23 holder of an Administrative Expense prior to the allowance of a Claim or Administrative
24 Expense. Creditors and holders of Administrative Expenses whose Claims and
25 Administrative Expenses become Allowed Claims or allowed Administrative Expenses, shall
26 receive the reserved distributions immediately after their Claim or Administrative Expense
27 becomes an Allowed Claim or allowed Administrative Expense.
28
29
30
31
32
33
34
35
36
37
38
39

40 ARTICLE 14 41

42 Miscellaneous Provisions 43

44 **14.1 Termination of the Plan:** The Plan shall terminate and otherwise cease to be
45 of any force or effect upon satisfaction of all of the Plan's terms and completion of all
46
47

1 distributions required under the Plan.
2

3 **14.2 Modification of Plan:** The Debtor may propose amendments or modifications
4 to the Plan at any time prior to Confirmation. After Confirmation, the Reorganized Debtor
5 may, with leave of court and so long as it does not materially or adversely affect the interest
6 of Creditors or other parties in interest, remedy any defect or omission or reconcile any
7 inconsistency in the Plan or in the Confirmation Order in such manner as may be necessary to
8 carry out the purposes, intent, and effect of the Plan.
9

10 **14.3 Automatic Stay:** The automatic stay provided by 11 U.S.C. § 362 shall be
11 reinstated upon confirmation as to all parties and shall remain in full force and effect and to
12 the extent necessary to aid in the implementation of the terms of the Plan until the Plan has
13 been fully consummated.
14

15 **14.4 Undeliverable Distributions:** Any distribution returned to the Debtor as
16 undeliverable shall be held for six (6) months. Debtor shall make reasonable efforts to locate
17 the holder of an Allowed Claim entitled to such distribution. After six (6) months, if no
18 holder of an Allowed Claim asserts a claim for the undeliverable distribution, it shall become
19 property of the bankruptcy estate and no further distributions shall be made to that claimant.
20

21 **14.5 Salary to Insiders:** The Debtor shall pay Officer Monthly Salary as set forth
22 in the Cash Flow Projection attached to the First Amended Disclosure Statement. The Debtor
23 shall pay ordinary and customary benefits, taxes, etc. Debtor shall not pay any bonus
24 payments, or other out of the ordinary salary to Officer until such time as the Allowed Class 4
25

1 Claims are paid in full. Salary may be increased by the CPI-U for the Puget Sound region,
2 not to exceed five percent (5%) annually.
3
4

5 **ARTICLE 15**
6
7

8 **Retention of Jurisdiction**
9

10 The Court shall retain jurisdiction of this Chapter 11 case pursuant to the provisions of
11 the Code, until and subject to further order of the Court; specifically, the Court shall retain
12 jurisdiction to hear or determine the following matters:
13
14

15 **15.1** To enable the Reorganized Debtor to consummate any and all proceedings
16 which may be brought prior to or subsequent to the Confirmation Order.
17
18

19 **15.2** To consider actions to avoid, set aside, or otherwise determine the extent,
20 validity, and priority of liens or encumbrances.
21
22

23 **15.3** To consider objections to Claims or the allowance thereof.
24
25

26 **15.4** To consider actions for the recovery of assets (including but not limited to
27 accounts) or damages as entitled under the applicable provisions of the Code or other federal,
28 state, or local law, including but not limited to actions based on any *ultra vires* pre-petition
29 acts of the Debtor.
30
31

32 **15.5** To prosecute to resolution all related contested matters or adversary
33 proceedings pending on the Confirmation Date or filed in the Court thereafter.
34
35

36 **15.6** To issue injunctions or take such other actions or make such other orders as
37 may become necessary or appropriate to restrain interference with the Plan or its execution or
38 implementation; to take any action to enforce and execute the Plan, the Confirmation Order,
39
40

1 or any other order of the Court; and to issue such orders as may be necessary for the
2 implementation, execution, performance, and consummation of the Plan.
3
4

5 **15.7** To determine all matters that may be pending before the Court on or before the
6 Effective Date.
7
8

9 **15.8** To classify, allow, or disallow Claims and the direct distribution of funds
10 under the Plan and to adjudicate all controversies concerning the classification, treatment, or
11
12 allowance of any Claim.
13
14

15 **15.9** To enforce performance of the Plan.
16
17

18 **15.10** To hear and determine all Claims arising from the rejection of executory
19 contracts and unexpired leases and to consummate the rejection and termination thereof.
20
21

22 **15.11** To liquidate damages in connection with any disputed, contingent, or
23 unliquidated Claims.
24
25

26 **15.12** To recover all assets and properties of the estate wherever located.
27
28

29 **15.13** To hear and determine matters concerning state, local, and federal taxes.
30
31

32 **15.14** To determine any and all applications for allowance of pre-confirmation
33 compensation and expense reimbursement of professionals or other Administrative Expense
34 claimants.
35
36

37 **15.15** To resolve any dispute related to the implementation, execution,
38 consummation, or interpretation of the Plan or Confirmation Order and the making of
39 distributions under this Plan.
40
41

15.16 To resolve any dispute related to the scope of duties or powers, including those related to compensation or retention of employees or professionals of the Reorganized Debtor.

15.17 To determine all applications, motions, adversary proceedings, contested matters, actions, and any other litigation instituted in this case by or on behalf of the Reorganized Debtor.

15.18 To hear actions required to protect the property of the Debtor from adverse Claims or interference inconsistent with this Plan, including actions to quiet or otherwise clear title to such property based upon the terms and provisions of this Plan.

15.19 To hear and determine such other matters and make such orders as are necessary and appropriate to carry out the provisions of the Plan. The powers of this Court shall be broadly and liberally construed.

ARTICLE 16

Events of Default

In the event the Reorganized Debtor defaults under the provisions of the Plan as confirmed, including but not limited to failure to make any payment required pursuant to the Plan, as confirmed, any Creditor holding an Allowed Claim and desiring to assert such a default shall provide all parties listed in Article 17 with written notice of the alleged default. Such notice shall be delivered by United States mail to the parties at the addresses set forth in Article 17. The Reorganized Debtor shall have thirty (30) days from receipt of the written notice in which to cure the default or to schedule a hearing before the Bankruptcy Court to determine whether or not a default exists. If a default is not cured, such Creditor providing

1 notice may declare the entire unpaid amount of the Allowed Claim, plus any accrued and
2 unpaid interest, immediately due and payable without presentment, demand, protest, notice of
3 nonpayment, notice of dishonor or any other notice of any kind, and may thereafter pursue
4 such applicable legal remedies in either state or federal court as may be appropriate.
5
6
7
8
9
10 \\\\\\\\\\\\\\

11
12 **ARTICLE 17**
13
14

15 **Notices**
16
17

18 Crocker Kuno PLLC
19 Attn: J. Todd Tracy
20 Attn: Shelly Crocker
21 720 Olive Way, Suite 1000
22 Seattle, WA 98101
23 *Counsel for Debtor*
24
25

26 STO Industries, Inc.
27 10600 231st Way NE
28 Redmond, WA 98052
29
30

31 **ARTICLE 18**
32
33

34 **Preservation and Pursuit of Avoidance Actions**
35
36

37 The Debtor will retain and may enforce all Avoidance Actions which may exist under
38 §§ 510, 542, 544 through 550 and 553 of the Bankruptcy Code or under similar state laws,
39 including, without limitation, fraudulent conveyance claims, if any, and all other causes of
40 action of a trustee and debtor-in-possession under the Bankruptcy Code on behalf of the
41 Class 4 creditors. The Unsecured Creditors Committee shall have the authority to bring
42 Avoidance Actions on behalf of the estate. Any action must be commenced within the time
43 period set forth in 11 U.S.C. §108, provided however that the time period for commencing
44
45
46
47

1 any action against Insiders shall be extended until such time as allowed Class 4 Claims are
2
3 paid in full.
4

5 **ARTICLE 19**
6

7 **Discharge and Revesting of Property**
8

9
10 **19.1 Discharge:** Entry of a final order confirming the Plan acts as a discharge of
11 any and all liability of the Debtor that is dischargeable under 11 U.S.C. § 1141. The rights
12 afforded under this Plan and the treatment of Claims contained herein shall serve as complete
13 satisfaction, discharge and release of all Claims and liens of any nature whatsoever, including
14 any interest accrued on such Claims from and after the Petition Date, against the Debtor, the
15 Debtor-in-Possession or any of their assets or properties. Notwithstanding the foregoing, no
16 Priority Tax Claim shall be discharged until such claims have been paid in full.
17
18

19 **19.2 Title to Assets:** Except as otherwise provided by this Plan, on the Effective
20 Date, title to all assets and properties addressed by this Plan shall be vested in the Debtor in
21 accordance with § 1141 of the Bankruptcy Code, free and clear of all Claims.
22
23

24 WHEREFORE the Debtor prays for confirmation of the Plan pursuant to 11 U.S.C.
25
26 § 1129 and for such other and further relief as is just, proper and equitable.
27
28

29 DATED this 8th day of March, 2010.
30
31

32 Respectfully submitted:
33
34

35 S.T.O. INDUSTRIES, INC.
36
37

38 By /s/ Jacob Davis
39 Jacob Davis
40 Its President
41
42

43 DEBTOR'S THIRD AMENDED PLAN OF REORGANIZATION -23-

44 **CROCKER KUNO** PLLC

45 720 Olive Way, Suite 1000
46 Seattle, WA 98101 - 1853
47 P) 206-624-9894
F) 206-624-8598

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47

PLAN EXHIBIT A

EXECUTORY CONTRACTS AND UNEXPIRED LEASES TO BE ASSUMED

1. Pitney Bowes Global Financial – postage meter
2. JLD Properties, LLC – post-petition, court approved lease of business premises

EXHIBIT B

S.T.O. INDUSTRIES, INC.
(dba FANACO FASTENERS)
CASH FLOW PROJECTION

	Actual	Jan-2010	Feb-2010	Mar-2010	Apr-2010	May-2010	Jun-2010	Jul-2010	Aug-2010	Sep-2010	Oct-2010	Nov-2010	Dec-2010	Combined
Receipts														
Accounts receivable collections														
Other	607,600	764,300	743,900	675,000	756,000	830,300	837,000	823,500	814,500	810,000	749,300	702,000	9,113,400	
Other	607,600	764,300	743,900	675,000	756,000	830,300	837,000	823,500	814,500	810,000	749,300	702,000	9,113,400	
Disbursements, excluding debt														
Product purchases	358,100	562,300	628,500	595,400	595,400	545,800	496,100	446,500	495,200	543,000	543,000	6,490,200		
Freight out	41,700	45,900	46,800	52,700	58,500	52,700	52,700	52,700	45,900	45,900	35,100	35,100	577,300	
Employee costs														
Commissions	18,400	24,900	21,900	23,400	26,300	29,300	26,300	26,300	26,300	26,300	21,900	21,900	293,200	
Salaries														
Officers	18,500	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	238,500	
Other	15,000	12,100	12,100	12,100	12,100	12,100	12,100	12,100	12,100	12,100	12,100	12,100	148,100	
Payroll taxes	6,200	5,400	5,100	5,300	5,600	5,900	5,600	5,600	5,600	5,600	5,100	5,100	66,100	
Medical insurance	4,200	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	6,000	6,000	66,200	
Other benefits - 401(k)	500	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	11,500	
Occupancy														
Rent	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	330,000	
Operating costs														
Less: Sublease income														
Utilities	1,600	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,800	
Repairs and maintenance	-	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	11,000	
Travel and entertainment - Sales	3,700	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	42,200	
Telephone	1,800	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	23,800	
Insurance	2,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,500	
Professional fees	16,900	-	-	-	50,000	50,000	2,500	2,500	2,500	2,500	2,500	2,500	84,400	
US Trustee fees	9,800		9,800										19,600	
Other	2,600	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	41,100	
	538,000	724,300	790,600	808,000	824,100	774,100	770,800	721,200	671,500	613,600	637,400	696,400	8,590,500	
Excess / (shortfall) of receipts over disbursements before debt	69,600	39,300	(46,700)	(133,000)	(68,100)	56,200	66,200	102,300	145,000	196,400	91,900	5,600	522,900	
Debt service														
Banner Bank														
Interest	(13,100)	(14,000)	(15,300)	(14,700)	(15,100)	(14,500)	(14,900)	(14,300)	(14,700)	(14,200)	(14,500)	(14,500)	(174,200)	
Principal	(50,000)	(50,000)	(44,700)	(15,300)	(14,900)	(15,500)	(15,100)	(15,700)	(15,300)	(15,800)	(15,500)	(15,500)	(252,900)	
Claims														
General, unsecured														
Priority														
Excess / (shortfall) of receipts over disbursements after debt	6,500	(24,500)	(79,700)	(165,000)	(98,100)	26,200	36,200	72,300	113,000	166,400	61,900	(24,400)	92,800	
Beginning cash	472,000	478,500	454,000	374,300	211,300	113,200	139,400	175,600	247,900	360,900	527,300	589,200	472,000	
Ending cash	478,500	454,000	374,300	211,300	113,200	139,400	175,600	247,900	360,900	527,300	589,200	564,800	564,800	

S.T.O. INDUSTRIES, INC.
(dba FANACO FASTENERS)
CASH FLOW PROJECTION

S.T.O. INDUSTRIES, INC.
(dba FANACO FASTENERS)
CASH FLOW PROJECTION

	Actual	Jan-2010	Feb-2010	Mar-2010	Apr-2010	May-2010	Jun-2010	Jul-2010	Aug-2010	Sep-2010	Oct-2010	Nov-2010	Dec-2010	Combined
<u>Assumptions</u>														
Sales 2009 - 10														
% of annual sales by month														
Annual Sales	8.50%	7.50%	8.00%	9.00%	10.00%	9.00%	9.00%	9.00%	9.00%	9.00%	7.50%	7.50%	6.00%	100.00%
Sales by month	\$9,000,000	765,000	675,000	720,000	\$10,000	900,000	\$10,000	\$10,000	\$10,000	\$10,000	675,000	675,000	540,000	9,000,000
Sales 2010 - 11														
Annual Sales	Jan-2011	Feb-2011	Mar-2011	Apr-2011	May-2011	Jun-2011	Jul-2011	Aug-2011	Sep-2011	Sep-2011	Sep-2011	Sep-2011	Sep-2011	
Sales by month	807,500	712,500	760,000	855,000	950,000	855,000	855,000	855,000	855,000	855,000	712,500	712,500	570,000	9,500,000
Cost of sales by month	(\$93,500)	(\$23,700)	(\$58,600)	(\$628,400)	(\$698,300)	(\$628,400)	(\$628,400)	(\$628,400)	(\$628,400)	(\$628,400)	(\$523,700)	(\$523,700)	(\$419,000)	(\$6,982,500)
Receivable collections														
On projected sales														
Same month as sale	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
First following month	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%
Second following month	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Third following month	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Later	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Sales margin as % of sales														
Freight out as percent of sales	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%
6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Other salaries	Current	3,324	3,324	3,324	3,324	3,324	3,324	3,324	3,324	3,324	3,324	3,324	3,324	3,324
Bookkeeper	3,166	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150
Purchasing / warehouse	3,000	3,462	1,462	1,462	1,462	1,462	1,462	1,462	1,462	1,462	1,462	1,462	1,462	1,462
Warehouse (0.5 FTE)	1,392	2,272	2,386	2,386	2,386	2,386	2,386	2,386	2,386	2,386	2,386	2,386	2,386	2,386
Customer service (0.5 FTE)	1,640	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722
Customer service (0.5 FTE)	5%													
Commissions	Melded as percent of prior month sales	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
Payroll taxes														
Officer	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
Other	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
Employee medical insurance	Current	1,000	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,200	1,200
Officer	4,000	4,400	4,400	4,400	4,400	4,400	4,400	4,400	4,400	4,400	4,400	4,400	4,800	4,800
Other	10%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Oct-10 increase	401(k) match, ex commissions													

S.T.O. INDUSTRIES, INC.
(dba FANACO FASTENERS)
CASH FLOW PROJECTION

	Actual	Jan-2010	Feb-2010	Mar-2010	Apr-2010	May-2010	Jun-2010	Jul-2010	Aug-2010	Sep-2010	Oct-2010	Nov-2010	Dec-2010	Combined
Operating Statement														
Sales	765,000	675,000	720,000	810,000	900,000	810,000	810,000	810,000	810,000	675,000	675,000	540,000	9,000,000	
Cost of goods sold	(562,300)	(496,100)	(529,200)	(595,400)	(661,500)	(595,400)	(595,400)	(595,400)	(595,400)	(496,100)	(496,100)	(396,900)	(6,615,200)	
Gross margin	202,700	178,900	190,800	214,600	238,500	214,600	214,600	214,600	214,600	178,900	178,900	143,100	2,384,800	
Freight out	41,700	43,900	45,800	52,700	58,500	52,700	52,700	52,700	52,700	43,900	43,900	35,100	577,300	
Employee costs	62,800	68,900	65,600	67,300	70,500	73,800	70,500	70,500	70,500	71,000	66,100	66,100	823,600	
Occupancy	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	458,000	
Other costs	38,900	13,200	13,200	23,000	63,200	15,700	15,700	15,700	15,700	15,700	15,700	15,700	261,400	
Income / (Loss) before interest, taxes, and depreciation	22,800	16,400	28,700	35,100	9,800	35,900	39,200	39,200	39,200	11,800	16,700	(10,300)	284,500	
Interest expense	13,100	14,000	15,300	14,700	15,100	14,500	14,900	14,900	14,900	14,300	14,700	14,200	14,500	
Income / (Loss) before income taxes and depreciation	9,700	2,400	13,400	20,400	(5,300)	21,400	24,300	24,300	24,300	(2,900)	2,500	(24,800)	110,300	
Income tax at 0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	174,200
Income / (Loss)	9,700	2,400	13,400	20,400	(5,300)	21,400	24,300	24,300	24,300	(2,900)	2,500	(24,800)	110,300	

Claim Assumptions

General, unsecured claims	257,000													
Lease rejection	175,000													
Trade														
Guarantee	-													
Less: Convenience Class less than \$ 1,000	(3,000)													
Balance	409,000													
Payment term (years)	5													
Payments per year	4													
Annual interest rate	2.5%													
Priority claims														
Income tax after carryback	-													
Other	-													
Payment term (years)	4													
Payments per year	4													
Interest rate	5.00%													
<u>Key Assumptions</u>														
Annual sales														
2010	9,000,000													
2011 at 5%	9,500,000													
2012 at 5%	10,000,000													
2013 at 5%	10,500,000													
2014 at 5%	11,000,000													
Margin as % of sales	26.50%													
Freight as % of sales	6.50%													
Officer monthly salary	20,000													
Banner term loan														
Interest rate	6.00%													
Amortization period (years)	n/a													
Annual increases in other costs	3.0%													

**S.T.O. INDUSTRIES, INC.
(dba FANACO FASTENERS)
CASH FLOW PROJECTION**

	Jan-2011	Feb-2011	Mar-2011	Apr-2011	May-2011	Jun-2011	Jul-2011	Aug-2011	Sep-2011	Oct-2011	Nov-2011	Dec-2011	Combined
Receipts													
Accounts receivable collections	621,000	768,100	789,300	734,800	812,300	895,400	885,500	859,800	855,000	776,600	726,800	9,582,400	
Other													
Disbursements, excluding debt													
Product purchases	541,200	593,500	663,400	628,400	628,400	576,100	523,700	471,400	521,900	588,100	7,027,900		
Freight out	52,500	46,300	49,400	55,600	61,800	55,600	55,600	46,300	46,300	37,100	617,700		
Employee costs													
Commissions	17,600	26,200	23,200	24,700	27,800	30,900	27,800	27,800	27,800	23,200	303,000		
Salaries													
Officers	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000		
Other	12,700	12,700	12,700	12,700	12,700	12,700	12,700	12,700	12,700	12,700	152,400		
Payroll taxes	4,700	5,600	5,300	5,500	5,800	6,100	5,800	5,800	5,800	5,300	66,800		
Medical insurance	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,600	75,800		
Other benefits - 401(k)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000		
Occupancy													
Rent	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	339,000		
Operating costs													
Less: Sublease income	-	-	-	-	-	-	-	-	-	-	-		
Utilities	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400		
Repairs and maintenance	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000		
Travel and entertainment - Sales	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	42,000		
Telephone	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000		
Insurance	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000		
Professional fees	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000		
US Trustee fees													
Other	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	42,000		
Income taxes													
	707,900	765,500	833,200	841,100	815,700	812,900	809,500	757,200	704,800	643,800	689,200	746,200	9,125,000
Excess / (shortfall) of receipts over disbursements before debt	(86,900)	4,600	(45,900)	(106,300)	(3,400)	82,500	74,000	102,600	155,000	211,200	87,400	(19,400)	457,400
Debt service													
Banner Bank													
Interest	(14,500)	(13,000)	(14,300)	(13,800)	(14,100)	(13,600)	(14,000)	(13,900)	(13,400)	(13,700)	(13,200)	(13,500)	(165,000)
Principal	(15,500)	(17,000)	(15,700)	(16,200)	(15,900)	(16,400)	(16,000)	(16,100)	(16,600)	(16,300)	(16,800)	(16,500)	(195,000)
Claims													
General, unsecured	-	-	-	-	-	-	-	-	-	-	(30,000)	(30,000)	(360,000)
Priority	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess / (shortfall) of receipts over disbursements after debt	(116,900)	(25,400)	(73,900)	(136,300)	(33,400)	52,500	44,000	72,600	125,000	181,200	57,400	(49,400)	97,400
Beginning cash	564,800	447,900	422,500	348,600	212,300	178,900	231,400	275,400	348,000	473,000	654,200	711,600	564,800
Ending cash	447,900	422,500	348,600	212,300	178,900	231,400	275,400	348,000	473,000	654,200	711,600	662,200	662,200

S.T.O. INDUSTRIES, INC.
(dba FANACO FASTENERS)
CASH FLOW PROJECTION

	Jan-2011	Feb-2011	Mar-2011	Apr-2011	May-2011	Jun-2011	Jul-2011	Aug-2011	Sep-2011	Oct-2011	Nov-2011	Dec-2011	Combined
Sales / Receivables													
Beginning receivables	1,086,600	1,273,100	1,217,500	1,188,200	1,308,400	1,446,100	1,405,700	1,377,200	1,372,400	1,367,600	1,225,100	1,161,000	1,086,600
Sales	807,500	712,500	760,000	855,000	950,000	855,000	855,000	855,000	855,000	855,000	712,500	570,000	9,500,000
Collections													
On projected sales	(621,000)	(788,100)	(789,300)	(734,800)	(812,300)	(895,400)	(883,500)	(859,800)	(859,800)	(855,000)	(776,600)	(726,800)	(9,582,400)
Ending receivables	1,273,100	1,217,500	1,188,200	1,508,400	1,446,100	1,405,700	1,377,200	1,372,400	1,367,600	1,225,100	1,161,000	1,004,200	1,004,200
Inventory													
Beginning inventory	2,389,800	2,337,500	2,407,300	2,512,100	2,547,100	2,477,200	2,477,200	2,477,200	2,424,900	2,320,200	2,267,900	2,266,100	2,389,800
Cost of sales	(598,500)	(523,700)	(558,600)	(628,400)	(698,300)	(628,400)	(628,400)	(628,400)	(628,400)	(523,700)	(523,700)	(419,000)	(6,982,500)
Purchases													
Calculated	541,200	583,500	663,400	663,400	628,400	628,400	628,400	628,400	576,100	523,700	471,400	521,900	7,027,900
Adjustments													
Ending inventory	2,337,500	2,407,300	2,512,100	2,547,100	2,477,200	2,477,200	2,477,200	2,424,900	2,320,200	2,267,900	2,266,100	2,435,200	2,435,200
Purchases as percentage of sales in following months													
First following	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Second following													
Adjust:													
Combined collateral													
<u>Collateral</u>													
Beginning	564,800	447,900	422,500	348,600	212,300	178,900	231,400	275,400	348,000	473,000	654,200	711,600	662,200
Cash	1,086,600	1,273,100	1,217,500	1,188,200	1,308,400	1,446,100	1,405,700	1,377,200	1,372,400	1,367,600	1,225,100	1,161,000	1,004,200
Receivables	2,389,800	2,337,500	2,407,300	2,512,100	2,547,100	2,477,200	2,477,200	2,424,900	2,320,200	2,267,900	2,266,100	2,435,200	(82,400)
Inventory	4,041,200	4,058,500	4,047,300	4,048,900	4,067,800	4,102,200	4,114,300	4,129,800	4,145,300	4,160,800	4,147,200	4,138,700	4,101,600
Line balance	2,799,700	2,784,200	2,767,200	2,751,500	2,735,300	2,719,400	2,705,000	2,687,000	2,670,900	2,654,300	2,638,000	2,621,200	2,604,700
Excess collateral	1,241,500	1,274,300	1,280,100	1,297,400	1,332,500	1,382,800	1,411,300	1,442,800	1,474,400	1,506,500	1,509,200	1,517,500	1,496,900
													255,400

S.T.O. INDUSTRIES, INC.
(dba FANACO FASTENERS)
CASH FLOW PROJECTION

	Jan-2011	Feb-2011	Mar-2011	Apr-2011	May-2011	Jun-2011	Jul-2011	Aug-2011	Sep-2011	Oct-2011	Nov-2011	Dec-2011	Combined
Assumptions													
% of annual sales by month													
Annual Sales	8.50%	7.50%	8.00%	9.00%	10.00%	9.00%	9.00%	9.00%	9.00%	9.00%	7.50%	7.50%	100.00%
2011	9,500,000												
2012	10,000,000												
2013	10,500,000												
2014	11,000,000												
2015	11,600,000												
Sales by month	807,500	712,500	760,000	853,000	950,000	855,000	855,000	855,000	855,000	712,500	712,500	570,000	9,500,000
Receivable collections													
On projected sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Same month as sale	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%
First following month	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Second following month	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Third following month	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Later													
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Sales margin as % of sales	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%
Freight out as percent of sales	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Other salaries													
Bookkeeper	3,490	3,490	3,490	3,490	3,490	3,490	3,490	3,490	3,490	3,490	3,490	3,490	3,490
Purchasing / warehouse	3,308	3,308	3,308	3,308	3,308	3,308	3,308	3,308	3,308	3,308	3,308	3,308	3,308
Warehouse (0.5 FTE)	1,535	1,535	1,535	1,535	1,535	1,535	1,535	1,535	1,535	1,535	1,535	1,535	1,535
Customer service (0.5 FTE)	2,505	2,505	2,505	2,505	2,505	2,505	2,505	2,505	2,505	2,505	2,505	2,505	2,505
Customer service (0.5 FTE)	1,808	1,808	1,808	1,808	1,808	1,808	1,808	1,808	1,808	1,808	1,808	1,808	1,808
Annual increases in January	5%												
Commissions													
Melded as percent of prior month sales	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
Payroll taxes													
Officer	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
Other	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
Employee medical insurance													
Officer	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Other	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
Annual increases in October													
401(k) match, ex commissions	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

S.T.O. INDUSTRIES, INC.
(dba FANACO FASTENERS)
CASH FLOW PROJECTION

	Jan-2011	Feb-2011	Mar-2011	Apr-2011	May-2011	Jun-2011	Jul-2011	Aug-2011	Sep-2011	Oct-2011	Nov-2011	Dec-2011	Combined
Operating Statement													
Sales	807,500	712,500	760,000	835,000	950,000	855,000	855,000	855,000	855,000	712,500	712,500	570,000	9,500,000
Cost of goods sold	(593,500)	(525,700)	(558,600)	(628,400)	(698,300)	(628,400)	(628,400)	(628,400)	(628,400)	(525,700)	(525,700)	(419,000)	(6,982,500)
Gross margin	214,000	188,800	201,400	226,600	251,700	226,600	226,600	226,600	226,600	188,800	188,800	151,000	2,517,500
Freight out	52,500	46,500	49,400	55,600	61,800	55,600	55,600	55,600	55,600	46,300	46,300	37,100	617,700
Employee costs	62,000	71,500	68,200	69,900	73,300	76,700	75,300	75,300	75,300	68,800	68,800	853,000	
Occupancy	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	438,000	
Other costs	15,700	15,700	15,700	15,700	15,700	15,700	15,700	15,700	15,700	15,700	15,700	188,400	
Income / (loss) before interest, taxes, and depreciation	47,300	18,800	31,600	48,900	64,400	42,100	45,500	45,500	45,500	21,500	(7,100)	420,400	
Interest expense	14,500	13,000	14,300	15,800	14,100	13,600	14,000	13,900	13,400	13,700	13,200	13,500	165,000
Income / (loss) before income taxes and depreciation	32,800	5,800	17,300	35,100	50,300	28,500	31,500	31,600	32,100	2,700	8,300	(20,600)	255,400
Income tax at 0% / 32%													
Income / (loss)	32,800	5,800	17,300	35,100	50,300	28,500	31,500	31,600	32,100	2,700	8,300	(20,600)	255,400

S.T.O. INDUSTRIES, INC.
(dba FANACO FASTENERS)
CASH FLOW PROJECTION

Recs	Jan-2012	Feb-2012	Mar-2012	Apr-2012	May-2012	Jun-2012	Jul-2012	Aug-2012	Sep-2012	Oct-2012	Nov-2012	Dec-2012	Combined
Accounts receivable collections	641,500	738,300	774,100	773,500	855,000	942,500	930,000	905,000	900,000	900,000	817,500	765,000	9,947,200
Other													
Disbursements, exclusive debt	641,500	738,300	774,100	773,500	855,000	942,500	930,000	905,000	900,000	900,000	817,500	765,000	9,947,200
Product purchases	569,700	624,800	698,300	698,300	661,500	661,500	606,400	551,200	496,200	543,500	617,400	7,395,400	
Freight out	55,500	48,800	52,000	38,500	65,000	58,500	58,500	48,800	48,800	39,000	39,000	650,200	
Employee costs													
Commissions													
Salaries	18,500	27,600	24,400	26,000	29,300	32,500	29,300	29,300	29,300	24,400	24,400	324,500	
Officers													
Other	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000	
Payroll taxes	15,300	13,300	13,300	13,300	13,300	13,300	13,300	13,300	13,300	13,300	13,300	159,600	
Medical insurance	4,900	5,800	5,500	5,700	6,000	6,300	6,000	6,000	6,000	5,500	5,500	69,200	
Other benefits - 401(k)	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	7,200	7,200	81,100	
Occupancy	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000	
Rent	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	330,000	
Operating costs													
Less: Sublease income	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	103,900	
Utilities													
Repairs and maintenance	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400	
Travel and entertainment - Sales	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000	
Telephone	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	42,000	
Insurance	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000	
Professional fees	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000	
US Trustee fees													
Other	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	45,200	
Income taxes													
	741,600	830,200	875,400	881,700	855,000	852,000	843,500	793,400	738,400	674,100	721,000	886,600	9,665,900
Excess / (shortfall) of receipts over disbursements before debt	(100,300)	(61,900)	(99,300)	(108,200)	-	90,500	81,500	111,600	166,600	225,900	96,500	(121,600)	281,300
Debt service													
Banner Bank													
Interest	(13,500)	(12,500)	(13,300)	(12,800)	(13,100)	(12,600)	(12,900)	(12,500)	(12,700)	(12,200)	(12,500)	(155,200)	
Principal	(16,500)	(17,500)	(16,700)	(17,200)	(16,900)	(17,400)	(17,100)	(17,200)	(17,700)	(17,300)	(17,800)	(17,500)	(206,800)
Claims	(36,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(360,000)	
General, unsecured													
Priority	-	-	-	(21,800)	-	-	(21,800)	-	-	(21,800)	-	(65,400)	
Excess / (shortfall) of receipts over disbursements after debt	(130,300)	(91,900)	(129,300)	(160,000)	(30,000)	60,500	29,700	81,600	136,600	174,100	66,500	(151,600)	(144,100)
Beginning cash	662,200	531,900	440,000	310,700	150,700	120,700	181,200	210,900	292,500	429,100	603,200	669,700	662,200
Ending cash	531,900	440,000	310,700	150,700	120,700	181,200	210,900	292,500	429,100	603,200	669,700	518,100	518,100

S.T.O. INDUSTRIES, INC.
(dba FANACO FASTENERS)
CASH FLOW PROJECTION

S.T.O. INDUSTRIES, INC.
(dba FANACO FASTENERS)
CASH FLOW PROJECTION

	Jan-2012	Feb-2012	Mar-2012	Apr-2012	May-2012	Jun-2012	Jul-2012	Aug-2012	Sep-2012	Oct-2012	Nov-2012	Dec-2012	Combined
1,004,200	1,212,900	1,224,600	1,250,500	1,377,000	1,522,000	1,479,500	1,449,500	1,444,500	1,439,500	1,289,500	1,222,000	1,004,200	
850,000	750,000	800,800	900,000	1,000,000	900,000	900,000	900,000	900,000	900,000	750,000	600,000	10,000,000	
(641,300)	(738,300)	(774,100)	(773,500)	(855,000)	(942,500)	(930,000)	(905,000)	(905,000)	(905,000)	(817,500)	(765,000)	(947,200)	
1,212,900	1,224,600	1,250,500	1,377,000	1,522,000	1,479,500	1,449,500	1,444,500	1,439,500	1,289,500	1,222,000	1,057,000	1,057,000	

Inventory	
Beginning inventory	2,455,200
Cost of sales	(624,800)
Purchases	624,800
Calculated	2,455,600
Adjustments	-
Ending inventory	2,380,100

Purchases as percentage of cost of sales in following months

Combined collateral

Change for year						
551,900	440,000	310,700	150,700	120,700	181,200	210,900
1,212,900	1,224,600	1,250,500	1,377,000	1,522,000	1,479,500	1,449,500
2,380,100	2,453,600	2,563,900	2,600,700	2,527,200	2,527,200	2,472,100
4,124,900	4,118,200	4,125,100	4,128,400	4,169,900	4,187,900	4,187,600
2,588,200	2,570,700	2,554,000	2,536,800	2,519,900	2,502,500	2,483,400
1,536,700	1,547,500	1,571,100	1,591,600	1,650,000	1,685,400	1,702,200
						1,740,900
						1,780,000
						1,766,300
						1,780,300
						1,657,600
						160,700

S.T.O. INDUSTRIES, INC.
(dba FANACO FASTENERS)
CASH FLOW PROJECTION

	Jan-2012	Feb-2012	Mar-2012	Apr-2012	May-2012	Jun-2012	Jul-2012	Aug-2012	Sep-2012	Oct-2012	Nov-2012	Dec-2012	Combined
Assumptions													
% of annual sales by month													
Annual Sales	8.50%	7.50%	8.00%	9.00%	10.00%	9.00%	9.00%	9.00%	9.00%	7.50%	7.50%	6.00%	100.00%
2011	9,500,000												
2012	10,000,000												
2013	10,500,000												
2014	11,000,000												
2015	11,600,000												
Sales by month													
	850,000	750,000	800,000	900,000	1,000,000	900,000	900,000	900,000	900,000	750,000	750,000	600,000	10,000,000
Receivable collections													
On projected sales													
Same month as sale	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
First following month	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%
Second following month	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Third following month	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Later	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Sales margin as % of sales													
Freight out as percent of sales	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%
6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Other salaries													
Bookkeeper	3,665	3,665	3,665	3,665	3,665	3,665	3,665	3,665	3,665	3,665	3,665	3,665	3,665
Purchasing warehouse	3,473	3,473	3,473	3,473	3,473	3,473	3,473	3,473	3,473	3,473	3,473	3,473	3,473
Warehouse (0.5 FTE)	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612
Customer service (0.5 FTE)	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650	2,650
Customer service (0.5 FTE)	1,898	1,898	1,898	1,898	1,898	1,898	1,898	1,898	1,898	1,898	1,898	1,898	1,898
Annual increases in January	5%	0	0	0	0	0	0	0	0	0	0	0	0
Commissions													
Melded as percent of prior month sales	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
Payroll taxes													
Officer	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
Other	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
Employee medical insurance													
Officer	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Other	5,300	5,300	5,300	5,300	5,300	5,300	5,300	5,300	5,300	5,300	5,300	5,300	5,300
Annual increases in October													
401(k) match, ex commissions	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

S.T.O. INDUSTRIES, INC.
(dba FANACO FASTENERS)
CASH FLOW PROJECTION

	Jan-2012	Feb-2012	Mar-2012	Apr-2012	May-2012	Jun-2012	Jul-2012	Aug-2012	Sep-2012	Oct-2012	Nov-2012	Dec-2012	Combined
Operating Statement													
Sales	\$50,000	750,000	800,000	900,000	1,000,000	900,000	900,000	900,000	900,000	750,000	750,000	600,000	10,000,000
Cost of goods sold	(624,800)	(551,300)	(583,000)	(661,500)	(725,000)	(661,500)	(661,500)	(661,500)	(661,500)	(551,500)	(551,500)	(441,000)	(7,359,200)
Gross margin	225,200	198,700	212,000	238,500	265,000	238,500	238,500	238,500	238,500	198,700	198,700	159,000	2,649,800
Freight out	55,300	48,300	52,000	58,500	65,000	58,500	58,500	58,500	58,500	48,300	48,300	39,000	650,200
Employee costs	64,300	74,300	70,800	72,600	79,700	76,200	76,200	76,200	76,200	76,800	76,800	71,400	886,200
Occupancy	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	438,000
Other costs	15,800	15,800	15,800	15,800	15,800	15,800	15,800	15,800	15,800	15,800	15,800	15,800	189,600
Income / (loss) before interest, taxes, and depreciation	53,300	23,300	36,900	55,100	71,500	48,000	51,500	51,500	51,400	20,800	26,200	(3,700)	485,800
Interest expense	13,500	12,500	13,300	12,800	13,100	12,600	12,900	12,800	12,300	12,700	12,200	12,500	153,200
Income / (Loss) before income taxes and depreciation	39,800	10,800	23,600	42,300	58,400	35,400	38,600	38,700	39,100	8,100	14,000	(16,200)	332,600
Income tax at Income / (Loss)	0% /	(12,700)	(3,500)	(7,600)	(15,500)	(18,700)	(11,300)	(12,400)	(12,400)	(2,500)	(4,500)	5,200	(106,500)
	27,100	7,300	16,000	28,300	39,700	24,100	26,200	26,300	26,600	5,500	9,500	(11,000)	226,100

S.T.O. INDUSTRIES, INC.
 (dba FANACO FASTENERS)
CASH FLOW PROJECTION

	Jan-2013	Feb-2013	Mar-2013	Apr-2013	May-2013	Jun-2013	Jul-2013	Aug-2013	Sep-2013	Oct-2013	Nov-2013	Dec-2013	Combined
<u>Receipts</u>													
Accounts receivable collections	675,000	775,900	813,900	\$12,300	897,800	989,600	976,500	950,300	950,300	945,000	858,400	803,300	10,447,400
Other													
<u>Disbursements, excluding debt</u>													
Product purchases	598,100	656,000	733,200	685,200	669,600	769,600	694,600	636,700	578,800	521,000	575,200	646,800	7,762,800
Freight out	58,000	51,200	54,600	61,400	68,300	61,400	61,400	61,400	51,200	51,200	41,000	41,000	632,500
Employee costs													
Commissions	19,500	29,000	25,600	27,300	30,700	34,100	30,700	30,700	30,700	25,600	25,600	25,600	340,200
Salaries													
Officers	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000
Other	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	168,000
Payroll taxes	5,000	6,000	5,700	5,900	6,200	6,600	6,200	6,200	6,200	6,200	5,700	5,700	71,600
Medical insurance	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	7,200	88,500
Other benefits - 401(k)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Occupancy													
Rent	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	330,000
Operating costs	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	108,000
Less: Sublease income	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400
Repairs and maintenance	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Travel and entertainment - Sales	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	42,000
Telephone	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Insurance	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Professional fees	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
US Trustee fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	44,400
Income taxes													131,500
	775,200	836,800	913,700	872,400	869,400	966,300	887,500	829,600	771,700	704,400	753,000	945,900	10,125,900
<u>Excess / (shortfall) of receipts over disbursements before debt</u>													321,500
<u>Debt service</u>													
Banner Bank													
Interest	(12,400)	(11,100)	(12,200)	(11,700)	(12,000)	(11,500)	(11,800)	(11,700)	(11,300)	(11,500)	(11,100)	(11,500)	(139,600)
Principal	(17,600)	(18,900)	(17,800)	(18,500)	(18,000)	(18,500)	(18,200)	(18,300)	(18,700)	(18,500)	(18,900)	(18,700)	(220,400)
	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(360,000)
<u>Claims</u>													
General, unsecured	(21,800)		(21,800)				(21,800)			(21,800)			(87,200)
Priority	(21,800)	-	-	(21,800)	-	-	(21,800)	-	-	(21,800)	-	-	(87,200)
<u>Excess / (shortfall) of receipts over disbursements after debt</u>													321,500
<u>Beginning cash</u>	518,100	366,100	275,200	144,500	32,600	31,000	24,300	31,000	24,300	61,500	152,200	300,800	489,600
<u>Ending cash</u>	366,100	275,200	144,500	32,600	31,000	24,300	61,500	152,200	300,800	489,600	565,000	565,000	518,100

S.T.O. INDUSTRIES, INC.
(dba FANACO FASTENERS)
CASH FLOW PROJECTION

	Jan-2013	Feb-2013	Mar-2013	Apr-2013	May-2013	Jun-2013	Jul-2013	Aug-2013	Sep-2013	Oct-2013	Nov-2013	Dec-2013	Combined
<u>Sales / receivables</u>													
Beginning receivables	1,057,000	1,274,500	1,286,100	1,313,100	1,445,800	1,595,000	1,553,400	1,521,900	1,516,600	1,511,300	1,353,800	1,282,900	1,057,000
Sales	892,500	787,500	840,000	945,000	1,050,000	945,000	945,000	945,000	945,000	787,500	787,500	630,000	10,500,000
Collections													
On projected sales	<u>(675,000)</u>	<u>(775,900)</u>	<u>(815,000)</u>	<u>(812,300)</u>	<u>(897,800)</u>	<u>(986,600)</u>	<u>(976,500)</u>	<u>(950,300)</u>	<u>(950,300)</u>	<u>(945,000)</u>	<u>(858,400)</u>	<u>(803,300)</u>	<u>(10,447,400)</u>
Ending receivables	<u>1,274,500</u>	<u>1,286,100</u>	<u>1,313,100</u>	<u>1,445,800</u>	<u>1,593,000</u>	<u>1,553,400</u>	<u>1,521,900</u>	<u>1,516,600</u>	<u>1,511,300</u>	<u>1,353,800</u>	<u>1,282,900</u>	<u>1,109,500</u>	<u>1,109,500</u>
<u>Inventory</u>													
Beginning inventory	2,480,400	2,422,500	2,499,700	2,615,500	2,604,100	2,501,900	2,576,900	2,576,900	2,519,000	2,403,200	2,345,400	2,341,800	2,480,400
Cost of sales	(656,000)	(578,800)	(617,400)	(694,600)	(771,800)	(694,600)	(694,600)	(694,600)	(694,600)	(578,800)	(578,800)	(463,100)	(7,717,700)
Purchases													
Calculated	598,100	656,000	733,200	733,200	694,600	694,600	636,700	636,700	578,800	521,000	575,200	646,300	7,762,800
Adjustments													
Ending inventory	<u>2,422,500</u>	<u>2,499,700</u>	<u>2,615,500</u>	<u>2,604,100</u>	<u>2,501,900</u>	<u>2,576,900</u>	<u>2,576,900</u>	<u>2,519,000</u>	<u>2,403,200</u>	<u>2,345,400</u>	<u>2,341,800</u>	<u>2,525,500</u>	<u>2,525,500</u>
Purchases as percentage of cost of sales in following months													
First following	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Second following													
Adjust:													
<u>Combined collateral</u>													
Collateral													
Cash	366,100	275,200	144,500	32,600	31,000	24,300	61,500	152,200	300,800	439,600	565,000	392,400	(125,700)
Receivables	1,274,500	1,286,100	1,313,100	1,445,800	1,593,000	1,553,400	1,521,900	1,516,600	1,511,300	1,353,800	1,282,900	1,109,500	52,600
Inventory	2,422,500	2,499,700	2,615,500	2,604,100	2,501,900	2,576,900	2,576,900	2,519,000	2,403,200	2,345,400	2,341,800	2,525,500	45,100
Line balance	4,063,100	4,061,000	4,073,100	4,082,500	4,130,900	4,154,600	4,160,300	4,187,800	4,215,300	4,188,800	4,189,700	4,027,500	(28,000)
Excess collateral	<u>2,360,300</u>	<u>2,361,400</u>	<u>2,543,600</u>	<u>2,325,300</u>	<u>2,307,300</u>	<u>2,288,800</u>	<u>2,270,600</u>	<u>2,252,300</u>	<u>2,253,600</u>	<u>2,215,100</u>	<u>2,196,200</u>	<u>2,177,500</u>	<u>(220,400)</u>
	<u>1,662,800</u>	<u>1,699,600</u>	<u>1,729,500</u>	<u>1,757,200</u>	<u>1,823,600</u>	<u>1,865,300</u>	<u>1,889,700</u>	<u>1,925,500</u>	<u>1,981,700</u>	<u>1,973,700</u>	<u>1,993,500</u>	<u>1,850,900</u>	<u>192,400</u>

S.T.O. INDUSTRIES, INC.
 (dba FANACO FASTENERS)
CASH FLOW PROJECTION

	Jan-2013	Feb-2013	Mar-2013	Apr-2013	May-2013	Jun-2013	Jul-2013	Aug-2013	Sep-2013	Oct-2013	Nov-2013	Dec-2013	Combined
Assumptions													
% of annual sales by month	8.50%	7.50%	8.00%	9.00%	10.00%	9.00%	9.00%	9.00%	9.00%	7.50%	7.50%	6.00%	100.00%
Annual Sales													
2011	9,500,000												
2012	10,000,000												
2013	10,500,000												
2014	11,000,000												
2015	11,600,000												
Sales by month	892,500	787,500	840,000	945,000	1,050,000	945,000	945,000	945,000	945,000	787,500	787,500	630,000	10,500,000
Receivable collections													
On projected sales													
Same month as sale	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
First following month	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%
Second following month	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Third following month	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Later	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Sales margin as % of sales	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%
Freight out as percent of sales	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Other salaries													
Bookkeeper	3,348	3,348	3,348	3,348	3,348	3,348	3,348	3,348	3,348	3,348	3,348	3,348	3,348
Purchasing / warehouse	3,647	3,647	3,647	3,647	3,647	3,647	3,647	3,647	3,647	3,647	3,647	3,647	3,647
Warehouse (0.5 FTE)	1,693	1,693	1,693	1,693	1,693	1,693	1,693	1,693	1,693	1,693	1,693	1,693	1,693
Customer service (0.5 FTE)	2,762	2,762	2,762	2,762	2,762	2,762	2,762	2,762	2,762	2,762	2,762	2,762	2,762
Customer service (0.5 FTE)	1,993	1,993	1,993	1,993	1,993	1,993	1,993	1,993	1,993	1,993	1,993	1,993	1,993
Annual increases in January	5%	0	0	0	0	0	0	0	0	0	0	0	0
Commissions													
Melded as percent of prior month sales	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
Payroll taxes													
Officer	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
Other	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
Employee medical insurance													
Officer	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Other	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800	5,800
Annual increases in October													
401(k) match, ex commissions	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

S.T.O. INDUSTRIES, INC.
(dba FANACO FASTENERS)
CASH FLOW PROJECTION

	Jan-2013	Feb-2013	Mar-2013	Apr-2013	May-2013	Jun-2013	Jul-2013	Aug-2013	Sep-2013	Oct-2013	Nov-2013	Dec-2013	Combined
Operating Statement													
Sales	892,500	787,500	840,000	945,000	1,050,000	945,000	945,000	945,000	945,000	787,500	787,500	630,000	10,500,000
Cost of goods sold	(656,000)	(578,800)	(617,400)	(694,600)	(771,800)	(694,600)	(694,600)	(694,600)	(694,600)	(578,800)	(578,800)	(463,100)	(7,717,700)
Gross margin	236,500	208,700	222,600	250,400	278,200	250,400	250,400	250,400	250,400	208,700	208,700	166,900	2,782,500
Freight out	58,000	51,200	54,600	61,400	68,300	61,400	61,400	61,400	61,400	51,200	51,200	41,000	682,500
Employee costs	66,700	77,200	73,500	75,400	79,100	82,900	79,100	79,100	79,100	74,200	74,200	920,300	
Occupancy	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	438,000	
Other costs	15,900	15,900	15,900	15,900	15,900	15,900	15,900	15,900	15,900	15,900	15,900	190,800	
Income / (loss) before interest, taxes, and depreciation	59,400	27,900	42,100	61,200	78,400	53,700	57,500	57,500	57,500	25,300	30,900	(700)	550,700
Interest expense	12,400	11,100	12,200	11,700	12,000	11,500	11,800	11,700	11,300	11,500	11,100	11,300	139,600
Income / (loss) before income taxes and depreciation	47,900	16,300	29,900	49,500	66,400	42,200	45,700	45,800	46,200	13,800	19,800	(12,000)	411,100
Income tax at Income / (less)	0% /	(15,000)	(5,400)	(9,600)	(15,800)	(21,200)	(15,500)	(14,600)	(14,700)	(14,800)	(4,400)	(6,300)	3,800 (131,500)
	32,900	11,400	20,300	33,700	45,200	28,700	31,100	31,100	31,400	9,400	13,500	(8,200)	279,600

S.T.O. INDUSTRIES, INC.
 (dba FANACO FASTENERS)
 CASH FLOW PROJECTION

Receipts	Jan-2014	Feb-2014	Mar-2014	Apr-2014	May-2014	Jun-2014	Jul-2014	Aug-2014	Sep-2014	Oct-2014	Nov-2014	Dec-2014	Combined
Accounts receivable collections	708,800	813,500	851,900	851,000	940,500	1,036,800	1,025,000	995,500	990,000	899,500	841,500	10,947,500	-
Other	708,800	813,500	851,900	851,000	940,500	1,036,800	1,025,000	995,500	990,000	899,500	841,500	10,947,500	-
Disbursements, excluding debt													
Product purchases	626,600	687,300	768,100	593,100	702,700	777,700	777,700	717,100	606,400	545,800	604,900	682,100	8,089,500
Freight out	60,800	53,600	57,200	64,400	71,500	64,400	64,400	64,400	55,600	53,600	42,900	42,900	715,200
Employee costs													
Commissions	20,500	30,400	26,800	28,600	32,200	35,800	32,200	32,200	32,200	32,200	26,800	26,800	356,700
Salaries													
Officers	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000
Other	14,700	14,700	14,700	14,700	14,700	14,700	14,700	14,700	14,700	14,700	14,700	14,700	176,400
Payroll taxes	5,200	6,500	5,900	6,100	6,500	6,800	6,500	6,500	6,500	6,500	5,900	5,900	74,600
Medical insurance	7,900	7,900	7,900	7,900	7,900	7,900	7,900	7,900	7,900	7,900	8,700	8,700	97,200
Other benefits - 401(k)	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Occupancy													
Rent	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	27,500	330,000
Operating costs	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	108,000
Less: Sublease income	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400
Repairs and maintenance	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Travel and entertainment - Sales	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	42,000
Telephone	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Insurance	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Professional fees	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
US Trustee fees													-
Other	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	45,600
Income taxes													-
	809,200	875,700	954,100	788,300	909,000	980,800	976,900	916,300	805,600	735,000	788,100	1,010,500	155,900
Excess / (shortfall) of receipts over disbursements before debt	(100,400)	(60,200)	(102,200)	62,700	31,500	56,000	46,100	79,200	189,900	255,000	111,200	(169,000)	399,800
Debt service													
Banner Bank													
Interest	(11,200)	(10,100)	(11,000)	(10,600)	(10,800)	(10,400)	(10,600)	(10,500)	(10,100)	(10,300)	(9,900)	(10,100)	(125,600)
Principal	(18,800)	(19,900)	(19,000)	(19,400)	(19,200)	(19,600)	(19,400)	(19,500)	(19,900)	(19,700)	(20,100)	(19,900)	(234,400)
Claims													
General, unsecured	(21,800)												
Priority													
	(21,800)	-	-	(21,800)	-	-	(21,800)	-	-	(21,800)	-	-	(37,200)
Excess / (shortfall) of receipts over disbursements after debt	(152,200)	(50,200)	(132,200)	10,900	1,300	26,000	(5,700)	49,200	159,900	203,200	81,200	(199,000)	(47,400)
Beginning cash	392,400	240,200	150,000	17,800	28,700	30,200	56,200	50,500	99,700	259,600	462,800	344,000	392,400
Ending cash	240,200	150,000	17,800	28,700	30,200	56,200	50,500	99,700	259,600	462,800	544,000	345,000	345,000

S.T.O. INDUSTRIES, INC.
 (dba FANACO FASTENERS)
 CASH FLOW PROJECTION

	Jan-2014	Feb-2014	Mar-2014	Apr-2014	May-2014	Jun-2014	Jul-2014	Aug-2014	Sep-2014	Oct-2014	Nov-2014	Dec-2014	Combined
Sales / receivables													
Beginning receivables	1,109,600	1,335,800	1,347,300	1,375,400	1,514,400	1,673,900	1,627,100	1,594,100	1,588,600	1,583,100	1,418,100	1,343,800	1,109,600
Sales	935,000	825,000	880,000	900,000	1,100,000	990,000	990,000	990,000	990,000	825,000	825,000	660,000	11,000,000
Collections													
On projected sales	(708,800)	(815,500)	(851,900)	(851,000)	(940,500)	(1,036,800)	(1,023,000)	(995,500)	(995,500)	(990,000)	(889,500)	(841,500)	(10,947,300)
Ending receivables	1,335,800	1,347,300	1,375,400	1,514,400	1,673,900	1,627,100	1,594,100	1,588,600	1,583,100	1,418,100	1,343,800	1,162,300	1,162,300
Inventory													
Beginning inventory	2,525,500	2,464,900	2,545,800	2,667,100	2,532,500	2,426,700	2,476,700	2,526,700	2,516,100	2,394,800	2,334,200	2,332,700	2,525,500
Cost of sales	(687,200)	(606,400)	(646,800)	(727,700)	(808,500)	(727,700)	(727,700)	(727,700)	(727,700)	(606,400)	(606,400)	(485,100)	(8,085,300)
Purchases													
Calculated	626,600	687,300	768,100	693,100	702,700	777,700	727,700	667,100	606,400	545,800	604,900	682,100	8,089,500
Adjustments													
Ending inventory	2,464,900	2,545,800	2,667,100	2,532,500	2,426,700	2,476,700	2,526,700	2,516,100	2,394,800	2,334,200	2,332,700	2,332,700	2,529,700
Purchases as percentage of cost of sales in following months													
First following	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Second following													
Adjust:													
Combined collateral													
Collateral													
Cash	240,200	150,000	17,800	28,700	30,200	56,200	50,500	99,700	259,600	462,800	544,000	345,000	(47,400)
Receivables	1,335,800	1,347,300	1,375,400	1,514,400	1,673,900	1,627,100	1,594,100	1,588,600	1,583,100	1,418,100	1,343,800	1,162,300	52,700
Inventory	2,464,900	2,545,800	2,667,100	2,532,500	2,426,700	2,476,700	2,526,700	2,516,100	2,394,800	2,334,200	2,332,700	2,529,700	4,200
Line balance	4,040,900	4,043,100	4,060,300	4,075,600	4,130,800	4,160,000	4,171,300	4,204,400	4,237,500	4,215,100	4,220,500	4,037,000	9,500
Excess collateral	1,882,200	1,904,300	1,940,500	1,975,200	2,049,600	2,098,400	2,129,100	2,181,700	2,235,000	2,237,500	2,093,900	243,900	

S.T.O. INDUSTRIES, INC.
(dba FANACO FASTENERS)
CASH FLOW PROJECTION

	Jan-2014	Feb-2014	Mar-2014	Apr-2014	May-2014	Jun-2014	Jul-2014	Aug-2014	Sep-2014	Oct-2014	Nov-2014	Dec-2014	Combined
Assumptions													
% of annual sales by month													
Annual Sales													
2011	9,500,000												
2012	10,000,000												
2013	10,500,000												
2014	11,000,000												
2015	11,600,000												
Sales by month													
935,000	825,000	880,000	990,000	1,100,000	920,000	990,000	990,000	990,000	825,000	825,000	650,000	11,000,000	
Receivable collections													
On projected sales													
Same month as sale	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
First following month	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	55.0%	
Second following month	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	
Third following month	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
Later	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Sales margin as % of sales													
Freight out as percent of sales	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	
6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	
Other salaries													
Bookkeeper	4,040	4,040	4,040	4,040	4,040	4,040	4,040	4,040	4,040	4,040	4,040	4,040	
Purchasing / warehouse	3,829	3,829	3,829	3,829	3,829	3,829	3,829	3,829	3,829	3,829	3,829	3,829	
Warehouse (0.5 FTE)	1,778	1,778	1,778	1,778	1,778	1,778	1,778	1,778	1,778	1,778	1,778	1,778	
Customer service (0.5 FTE)	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	
Customer service (0.5 FTE)	2,093	2,093	2,093	2,093	2,093	2,093	2,093	2,093	2,093	2,093	2,093	2,093	
Annual increases in January	5%	0	0	0	0	0	0	0	0	0	0	0	
Commissions													
Melded as percent of prior month sales	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%	
Payroll taxes													
Officer	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	
Other	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%	
Employee medical insurance													
Officer	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	
Other	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	
Annual increases in October	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
401(k) match, ex commissions													
3.0%													

S.T.O. INDUSTRIES, INC.
 (dba FANACO FASTENERS)
 CASH FLOW PROJECTION

	Jan-2014	Feb-2014	Mar-2014	Apr-2014	May-2014	Jun-2014	Jul-2014	Aug-2014	Sep-2014	Oct-2014	Nov-2014	Dec-2014	Combined
Operating Statement													
Sales	935,000	825,000	880,000	990,000	1,100,000	990,000	990,000	990,000	825,000	825,000	660,000	660,000	11,000,000
Cost of goods sold	(637,200)	(606,400)	(646,800)	(727,700)	(808,500)	(727,700)	(727,700)	(727,700)	(606,400)	(606,400)	(485,100)	(485,100)	(8,085,300)
Gross margin	247,800	218,600	233,200	262,300	291,500	262,300	262,300	262,300	218,600	218,600	174,900	174,900	2,914,700
Freight out	60,800	53,600	57,200	64,400	71,500	64,400	64,400	64,400	53,600	53,600	42,900	42,900	715,200
Employee costs	69,300	80,300	76,300	78,300	82,500	86,200	82,300	82,300	83,100	77,100	77,100	77,100	956,900
Occupancy	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	453,000	453,000	
Other costs	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	192,000
Income / (loss) before interest, taxes, and depreciation	65,200	32,200	47,200	67,100	85,200	59,200	63,100	63,100	29,400	35,400	2,400	2,400	612,600
Interest expense	11,200	10,100	11,000	10,600	10,800	10,400	10,600	10,500	10,100	10,300	9,900	10,100	125,600
Income / (loss) before income taxes and depreciation	54,000	22,100	36,200	56,500	74,400	48,800	52,500	52,600	53,000	19,100	25,500	(7,700)	487,000
Income tax at Income / (loss)	0% /	(17,300)	(7,100)	(11,600)	(18,100)	(23,800)	(15,600)	(16,800)	(17,000)	(6,100)	(8,200)	2,500	(155,900)
		36,700	15,000	24,600	38,400	50,600	33,200	35,700	35,800	36,000	13,000	17,500	(5,200)
													351,100